

LOUISIANA STADIUM AND EXPOSITION DISTRICT
MANAGEMENT FEE COMPUTATION SCHEDULES
STATE OF LOUISIANA



FINANCIAL AUDIT
ISSUED DECEMBER 20, 2006

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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December 7, 2006

Independent Auditor's Report

**BOARD OF COMMISSIONERS
LOUISIANA STADIUM AND EXPOSITION DISTRICT
STATE OF LOUISIANA
New Orleans, Louisiana**

We have audited the basic financial statements of the Louisiana Stadium and Exposition District as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated December 7, 2006. We have also audited the accompanying schedules of management fee computation, as listed in the foregoing table of contents, under the provisions of Article 4.2 of the management agreement between the State of Louisiana and SMG, Inc., dated June 13, 1977, as amended, for the years ended June 30, 2006 and 2005. These schedules are the responsibility of the District's management. Our responsibility is to express an opinion on the schedules based on our audit.

We conducted our audit of the schedules in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts in the schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedules' presentation. We believe that our audit provides a reasonable basis for our opinion.

We have been informed that Article 4.2 of the management agreement between the State of Louisiana and SMG, Inc., dated June 13, 1977, as amended, governs the contents of the schedules referred to in the first paragraph.

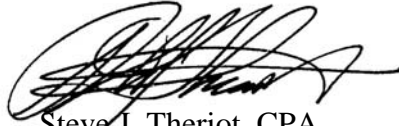
The accompanying schedules were prepared for the purpose of complying with the terms of the management agreement referred to in the first paragraph and are not intended to be a complete presentation of the financial position and activity of the Louisiana Stadium and Exposition District.

In our opinion, the schedules referred to above present fairly, in all material respects, the management fee computation of the Louisiana Stadium and Exposition District for the years ended June 30, 2006 and 2005, as defined in the management agreement referred to in the first paragraph.

LOUISIANA STADIUM AND EXPOSITION DISTRICT_____

This report is intended solely for the information and use of the Board of Commissioners and management of SMG and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Steve J. Theriot", is written over the printed name.

Steve J. Theriot, CPA
Legislative Auditor

LG:ES:PEP:dl

LSedMFS06

**LOUISIANA STADIUM AND EXPOSITION DISTRICT
STATE OF LOUISIANA**

**Schedule of Management Fee Computation
For the Years Ended June 30, 2006 and 2005**

	2006	2005
Deficit improvement and base for management fee computation (Schedule 2)	\$7,759,974	\$17,197,789
30% of first - \$1,000,000	300,000	300,000
40% of next - \$1,750,000	700,000	700,000
25% of excess	1,252,494	3,611,947
TOTAL MANAGEMENT FEE COMPUTATION	\$2,252,494	\$4,611,947
45% Allocated to Superdome Marketing and Promotional Fund	\$1,013,622	\$2,075,376
55% Allocated to SMG	\$1,238,872	\$2,536,571
Management fee ceiling pursuant to Section 26.8.3(e) of the fourth amendment to Management Agreement dated June 19, 1998, which relates to the opening of the New Orleans Arena	\$2,731,727	\$2,664,320
Less: Arena management fee pursuant to the Agreement	(290,311)	(283,147)
MAXIMUM MANAGEMENT FEE FOR SUPERDOME MANAGEMENT	\$2,441,416	\$2,381,173

See accompanying independent auditor's report.

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**LOUISIANA STADIUM AND EXPOSITION DISTRICT
STATE OF LOUISIANA**

**Deficit Improvement and Base for the
Management Fee Computation
For the Years Ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
LSED and SMG have agreed that Article 1.1G(e) of the Agreement shall be interpreted to include workmen's compensation liability insurance in the amount of insurance expense that is excluded from the deficit.	\$2,200,000	\$2,869,256
In accordance with Article 1.1G(a) of the Agreement, LSED and SMG have reviewed the capital asset additions and have determined that the cost of capital assets acquired in 2006 and 2005 for the principal purpose of increasing revenues and/or decreasing operating expenses was \$0. The depreciation related to these assets and prior acquisitions is to be added to the deficit.	(8,717)	(8,717)
LSED and SMG have agreed that Article 4.2(d) of the Agreement, as amended in the third amendment dated March 3, 1986, shall be interpreted as follows:		
a. To exclude any inducement payment from the deficit - Saints	1,625,086	8,946,194
b. To include any imputed revenues to reduce the deficit	<u>355,803</u>	<u>2,941,676</u>
Net effect of the aforementioned items on the 2006 and 2005 deficits	4,172,172	14,748,409
Current deficit (operating loss before depreciation, amortization, management fee computation and other adjustments)	<u>(7,810,170)</u>	<u>(9,450,434)</u>
Adjusted income	(3,637,998)	5,297,975
Adjusted base deficit for the years ended June 30, 2006 and 2005, as calculated (Schedule 3)	<u>11,397,972</u>	<u>11,899,814</u>
DEFICIT IMPROVEMENT AND BASE FOR THE MANAGEMENT FEE COMPUTATION	<u><u>\$7,759,974</u></u>	<u><u>\$17,197,789</u></u>

See accompanying independent auditor's report.

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**LOUISIANA STADIUM AND EXPOSITION DISTRICT
STATE OF LOUISIANA**

**Computation of Adjusted Base Deficit
For the Years Ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Base Deficit (operating loss before depreciation and amortization) for the year ended June 30, 1977	\$5,003,983	\$5,003,983
Adjustments required by the Management Agreement:		
Elimination of insurance excluded by Management Agreement	(883,368)	(883,368)
Adjustment for increase in consumer price index	5,825,723	5,551,080
Adjustment for increase in utility rates	2,090,087	2,386,209
Adjustment for repair and maintenance hours	(393,976)	86,387
Other adjustments pursuant to Article 4.2 of the Management Agreement	<u>(244,477)</u>	<u>(244,477)</u>
ADJUSTED BASE DEFICIT FOR THE YEAR ENDED JUNE 30, 2006 AND 2005	<u><u>\$11,397,972</u></u>	<u><u>\$11,899,814</u></u>

See accompanying independent auditor's report.

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